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OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 14 1977

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: Personnel Impact of Managerial and Reorganization Actions

The President wants the Federal Government, as an employer, to make organizational changes and necessary adjustments in programs and staffing with careful concern for the human beings whose jobs and careers are affected. He particularly wants to assure that employees will not be adversely affected by the effort to reorganize the Federal Government. Moreover, he has a broader concern that the Government make other adjustments in ways which will ease the impact of such changes upon employees, to the extent feasible.

Our continuing responsibility for efficient and economical Government often requires managerial changes such as program and budgetary adjustments, military realignments and base closings to provide for increased military effectiveness, contracting out, office closings or other reductions for efficiency. The President desires that, in the future, all agencies--when undertaking managerial actions which will eliminate or change positions--observe the following principles:

- When employees are to be displaced, agencies must undertake a vigorous reassignment program for the employees affected. Opportunities for reasonable amounts of training at Government expense should be made available in cases where such training would make a direct contribution to placement.
- Phased or gradual implementation of such changes should be used wherever it is desirable and feasible, in order to provide additional time for normal attrition and for vigorous transfer, retraining and out-placement efforts. Attrition should be used whenever possible to accomplish reductions.

- When reassessments for displaced employees involve a geographic move, the Government will pay for necessary transfers to other cities. When such transfers are necessary, they should be timed to provide reasonable periods for employees to make personal arrangements.
- The Civil Service Commission will provide priority government-wide placement assistance to all displaced employees. Where appropriate, the Department of Labor will assist in finding private sector employment opportunities for such employees.

To strengthen the assistance to displaced employees, the President has initiated the following steps:

- The CSC and OMB have been authorized to grant a limited number of ceiling space exemptions for temporary use by agencies which can absorb displaced employees. This authority is being applied successfully in Philadelphia and is available for use elsewhere.
- The Chairman of the Civil Service Commission has been directed to set up additional mechanisms to aid in the placement of employees affected, including mandatory priorities in hiring.

In addition to the foregoing principles and initiatives, there are certain others--set forth below--which will be applied to reorganizations. These special provisions grow out of the President's visits earlier this year to a number of Departments where he assured employees that his reorganization efforts would not adversely affect their employment. On several of these visits, the President specifically said that reorganizations would not cause any Federal employee to be discharged or demoted, or to lose pay status.

For your reference in regard to future personnel actions, and to provide a common understanding of the President's assurances, we want to provide the following guidance applicable to reorganizations:

- The President's assurances apply both to reorganizations spearheaded by the President's Reorganization Project and to reorganizations initiated within a Department or Agency by officials of this Administration. However, the assurances were not intended to cover personnel reductions incident to

the types of managerial actions described above, such as program and budgetary adjustments, military realignments and base closings to provide for increased military effectiveness, contracting out, office closings or other reductions for efficiency.

- No employee whose position is directly affected by a reorganization may be separated for that reason if he or she has not first been made a good faith offer of another position, preferably at the same grade. Separation action may proceed only if the offer is declined.
- In line with the President's assurances concerning demotions, the Administration has sent Congress proposed legislation that would permit pay and grade retention in personnel actions required through no fault of the employee. Because it now appears that grade retention legislation will not be enacted before next year, the Administration is proposing that when enacted it be made retroactive (with back pay) to January 1, 1977, so that the President's assurances can be met even if reorganizations involving some demotions should occur in the interim.
- If normal personnel management approaches are not sufficient to solve the placement problems resulting from a reorganization, an agency may seek authority from the Civil Service Commission to delay down-gradings caused by reorganization, under guidance soon to be issued by the Commission.

In summary, the President has urged that all of us redouble our efforts to implement reorganization and other management actions in ways that minimize the human consequences. He has asked OMB staff who are working with you on reorganization plans to pay particular attention to potentially adverse effects on employees and to ways in which these can be avoided or minimized. Both the Office of Management and Budget and the Civil Service Commission will advise and assist you with the policy and personnel implications of this directive.


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